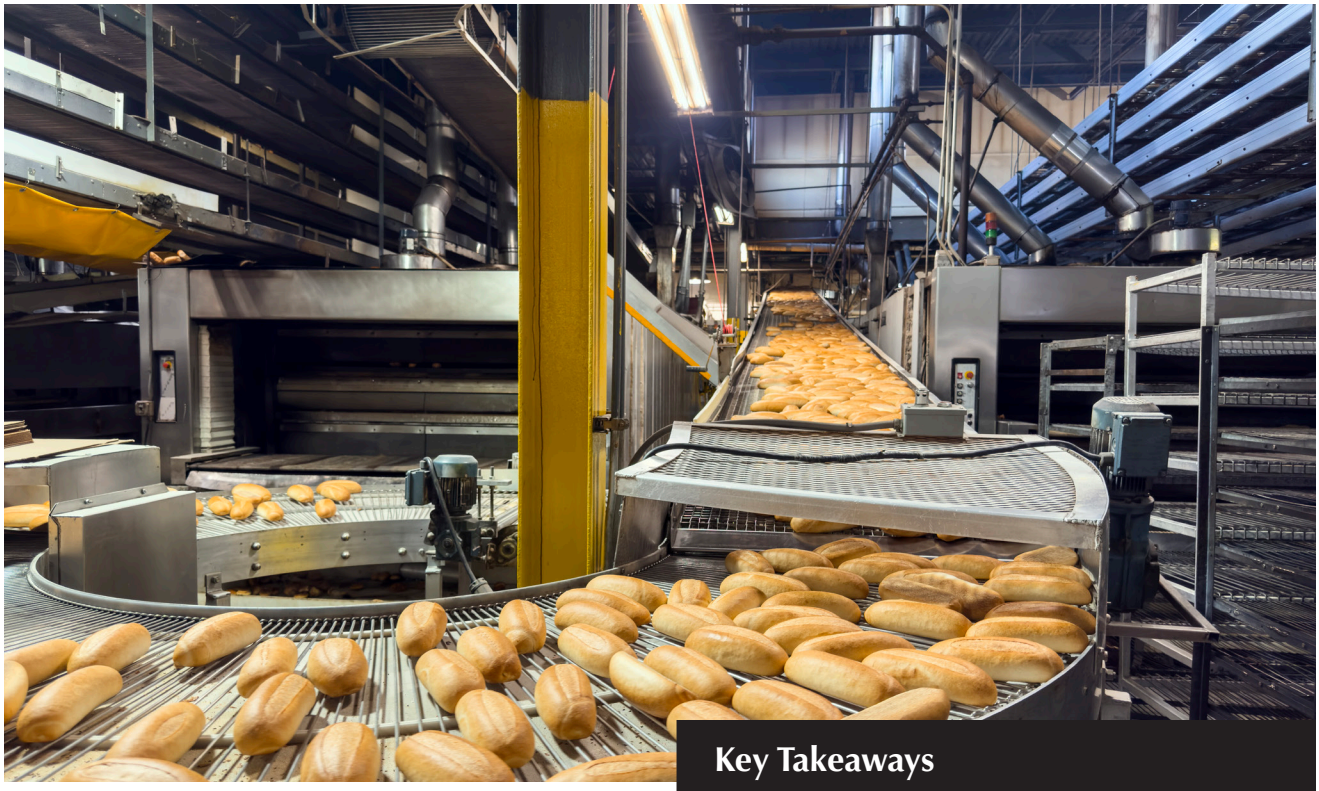
Bake to the Future

Texas Food and Beverage Manufacturing

Daniel Oney
April 22, 2024

Publication 2414



Key Takeaways

- Food and beverage manufacturing is a growing industry with much economic potential.
- Investment is on the rise.
- Perishable raw materials need specialized places and workers with specific skills.
- Bakeries, snack food manufacturers, and beverage plants are examples of providers that locate in major markets.

More than 128,000 Texans earn their daily bread manufacturing food for the rest of the state. While the industry is already important and growing, there's room for more local investment. That's es-sential for jobs, real estate, and the lives of Texans.

The food-manufacturing industry is different from other goods-producing industries. The raw material is perishable. Food is also essential, and this attracts a lot of attention. The industry is heavily scrutinized from cultural, health and nutrition, and even national security perspectives. These distinctions impact site selection and operations in important ways.

An Industry with a Unique Flavor

Food spoils quickly, adding cost and complexity to the industry. Extraordinary efforts go into moving products from farm and feedlot to consumers quickly. Factories, warehouses, trucks, and rail cars that serve the industry must have refrigeration and freezer capacity, and workers with specialized skills are needed to maintain the air conditioners and freezers. Running and maintaining specialized equipment to quickly process, preserve, and package food adds further to the industry's talent burden. Food-manufacturing facilities tend toward hot and cold climate extremes and can be messy environments. This means the industry pays a premium for production talent at every skill level.

Such manufacturers balance access to suppliers and access to customers when siting facilities. With enough capital investment, most any food can be grown anywhere. In

practice, it is often cheaper to source various crops and animals from where nature favors them. In these cases, initial processing tends to locate near the source. Examples include grain milling, animal and seafood processing, and winemaking. Once processed, the intermediate products can be shipped elsewhere for consumption or as ingredients in higher value-added products. These secondary facilities have the flexibility to locate closer to consumers. Bakeries, snack food manufacturers, and beverage plants are examples of providers that locate in major markets. These economies mean some food-processing activities are more concentrated than others. This, in turn, influences the talent and facilities needed in each local market.

The importance of food makes it highly political. Because of the health risks that accompany improperly processed food, the industry is heavily regulated. Federal farm legislation, in the form of price supports and other incentives, influences the costs faced by food manufacturers.

In addition, food is a matter of national security, grouped with other sectors such as pharmaceuticals and semiconductors as having critical strategic importance. The COVID pandemic demonstrated the risks from the failure in the food supply chains.

And, of course, food manufacturing is strongly influenced by consumer preferences. Food is intimately associated with culture, health, and lifestyle, so manufacturers must deal with changing interests and tastes. Important examples include attitudes on environmental stewardship, farm worker and animal welfare, or genetically modified crops and animals. Markets are impacted by growing cultural diversity and interest in cooking and new cuisines.

Measuring Industry Growth

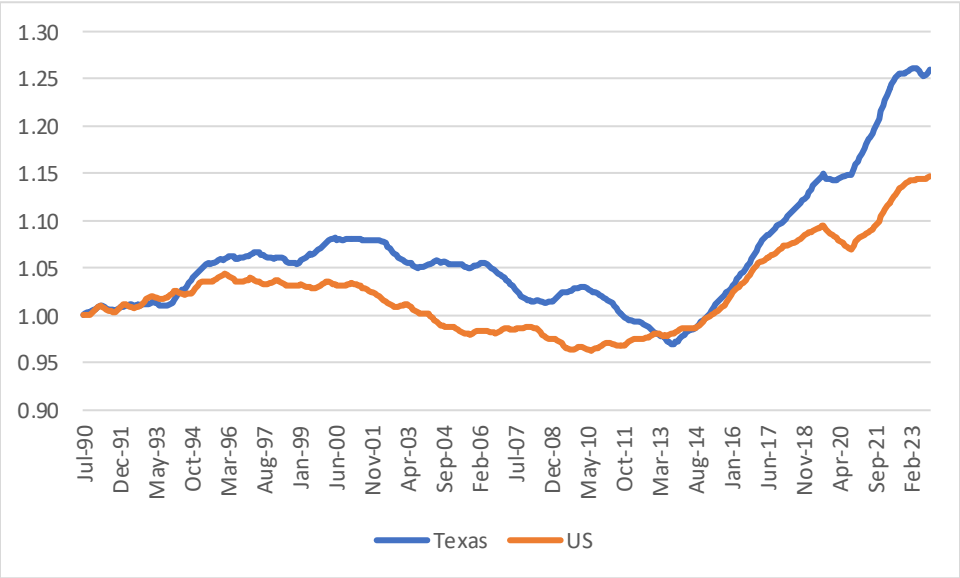
Food manufacturing may be assessed in several ways, including by payroll employment, business establishments, and capital investment. Nationally in 2023, 2.1 million people worked in food and beverage manufacturing, accounting for 16 percent of all manufacturing jobs. The nearly 130,000 Texas food and beverage jobs account for a smaller share of state manufacturing jobs (13 percent).

After a period of flat employment, food manufacturing has grown dramatically (Figure 1). Except for a temporary reverse during the COVID pandemic, the industry has been on a ten-year uptrend. Texas employment outpaced the nation with over double the national increase in the last five years (15 percent versus 6 percent, respectively).

In the last five years, food and beverage manufacturing employment also exceeded the change in overall employment. Nationally, employment grew by 4.9 percent while food and beverage employment grew by 7.9 percent. In Texas, the five-year increase in food and beverage was 14.9 percent compared with total job growth of 11.5 percent.

In Texas, most food jobs are in three subsectors: animal processing, beverages, and bakeries and tortilla manufacturing (Figure 2). Almost 43,000 Texans work in animal slaughtering and processing. Nearly 22,000 bake, and an additional 20,000 produce beverages.

Figure 1. Food Manufacturing Employment Index (July 1990 = 1.0)



Source: Texas Real Estate Research Center analysis of U.S. Bureau of Labor Statistics data

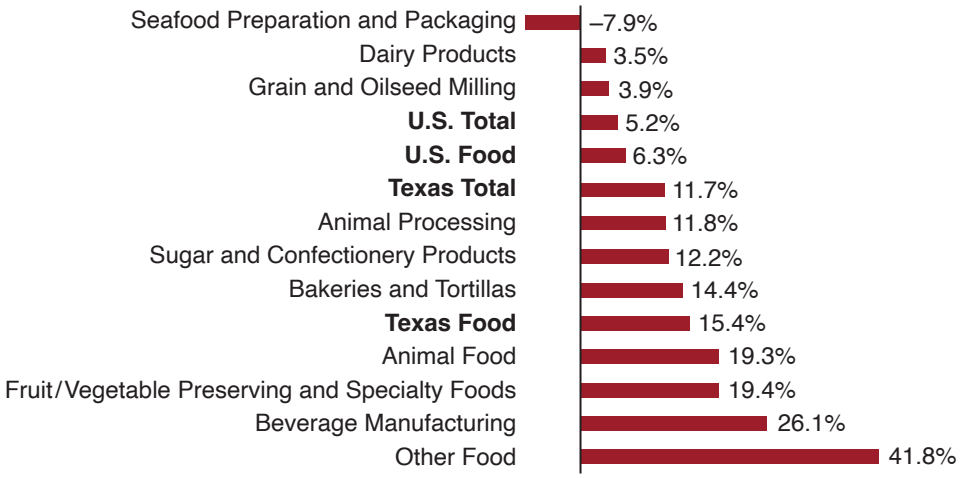
Five-year growth rates in the subsectors range from an 8 percent job loss in seafood processing to a whopping 42 percent increase in the "other food" category (Figure 3). Beverage employment growth came in at a strong 26 percent. Most sectors in Texas have been adding jobs faster than the overall Texas economy. Seafood, grain and oilseed milling, and dairy products were the only sectors that didn't see rapid growth.

Business establishments are another helpful way to measure the industry. The federal government collects data annually on establishments that are defined as a stand-alone business operation. Tracking establishments helps assess real estate demand since, just as households are the demographic unit that occupies a residence, establishments are the economic unit that occupies commercial space.

Figure 2. Food and Beverage Manufacturing Jobs by Sector

Source: Texas Real Estate Research Center analysis of U.S. Bureau of Labor Statistics data

Figure 3. Five-Year Employment Change by Food and Beverage Subsector



Source: Texas Real Estate Research Center analysis of U.S. Bureau of Labor Statistics data

Across the U.S., the five-year change in total employment, total manufacturing, and food-and-beverage-manufacturing establishments was 5, -2.9, and 15.9 percent, respectively, according to the most recently available data, which were from 2021. In Texas, the comparable changes were all positive and higher than their national counterparts at 10.2, 3.8, and 23.5 percent, respectively.

Food and beverage manufacturing has seen robust growth, beating overall manufacturing by nearly 20 percent at the state and national levels.

Industry Investment Rising

In the five years ending in 2022, food-manufacturing firms made almost $350 billion in investments in productive assets (facilities, equipment, etc.). Over those five years, the annual level of investment increased by 39 percent, exceeding the 27 percent change in investment for manufacturing overall. Investment in food-manufacturing structures alone grew even faster than the total capital investment rate. Over five years, the increase in food and beverage manufacturing was 70 percent, compared with a 57 percent increase in overall manufacturing.

Investment in specialized food processing and refrigerated space has also grown. In Texas, 4.4 million square feet of such space was added in the last two and a half years according to Costar. This space had a 7.7 percent vacancy rate and saw rents at $8.25 in 4Q2023. Rent rates were in the double digits in the waning quarters of the pandemic.

Texas is indeed a powerhouse food manufacturer, ranking second among states in most food subsectors (see sidebar).

Defining Texas' Food and Beverage Industry

Food and beverage manufacturing includes all of the broad 311 North American Industrial Classification System (NAICS) code and a portion of the 312 code.

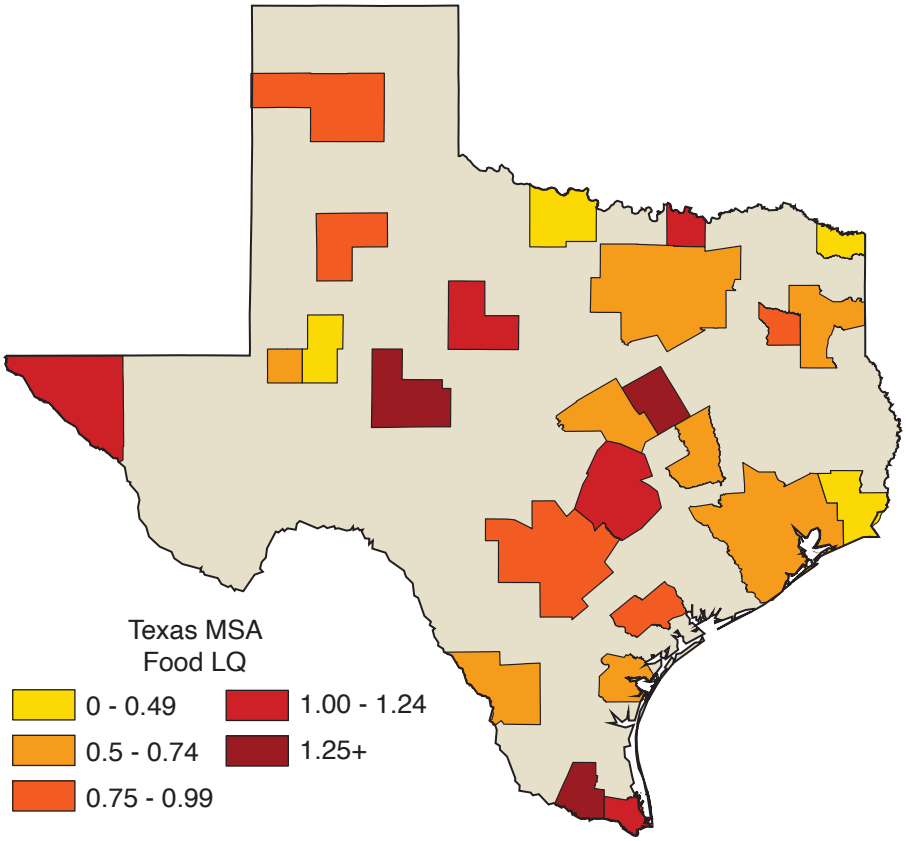
The NAICS manual states that "industries in the Food Manufacturing subsector transform livestock and agricultural products into products for intermediate or final consumption." In other words, food manufacturing turns animals and plants into ingredients and food. There are nine four-digit food manufacturing sectors and one four-digit beverage manufacturing sector. The businesses in these sectors sell to wholesalers, retailers, and other manufacturing firms.

	Employment	Average Employees Per Establishment	Rank Among States	Location Quotient
All Industries	11,056,825	17.3	2	1.00
Manufacturing	801,310	39.3	2	0.80
Food Manufacturing	119,904	55.6	2	0.84
3111 Animal Food	3,344	27.4	4	0.67
3112 Grain and Oilseed Milling – includes flour, edible oils, breakfast cereals	2,810	50.2	7	0.58
3113 Sugar and Confectionery Product	3,291	36.2	5	0.44
3114 Fruit and Vegetable Preserving and Specialty – frozen, canned, pickled, dehydrated, etc.	9,347	74.2	4	0.63
3115 Dairy Product	7,352	98.0	5	0.55
3116 Animal Slaughtering and Processing	51,136	182.0	1	1.05
3117 Seafood Product Preparation and Packaging	1,148	52.2	9	0.43
3118 Bakeries and Tortilla Manufacturing – includes pasta, prepared baking mixes	24,287	23.0	2	0.93
3119 Other food – includes snack food, coffee, tea, condiments, spices, etc.	17,846	54.6	2	0.87
3121 Beverage Manufacturing – includes soft drinks, ice, water, beer, wine, distillery products	17,847	28.6	2	0.82

Note: A location quotient (LQ) equal to 1.00 means industry is at the same concentration as it is nationally. An LQ less than or greater than 1.00 means it is at a lower- or higher-than-average concentration. Location quotient = (local food and beverage establishments / total local establishments) / (U.S. food and beverage establishments / total U.S. establishments).

Sources: U.S. Census Bureau, North American Industrial Classification System (2022), and Texas Real Estate Research Center analysis of U.S. Bureau of Labor Statistics data

Food Manufacturing Industry Concentration by MSA



Note: FoodLQ = (local food and beverage establishments/total local establishments)/(U.S. food and beverage establishments/total U.S. establishments. A FoodLQ of 1.00 means the industry is at the same concentration as it is nationally. Less/greater than 1.00 means it is at a lower/higher than average concentration.

Source: TRERC analysis of U.S. Census Bureau County Business Patterns data

Food and Beverage Establishment Performance by Texas MSA

Abilene	21
Amarillo	32
Austin-Round Rock	311
Beaumont-Port Arthur	20
Brownsville-Harlingen	40
College Station-Bryan	18
Corpus Christi	30
Dallas-Fort Worth-Arlington	661
El Paso	80
Houston-The Woodlands-Sugar Land	554
Killeen-Temple	25
Laredo	18
Longview	16
Lubbock	30
McAllen-Edinburg-Mission	81
Midland	10
Odessa	13
San Angelo	22
San Antonio-New Braunfels	224
Sherman-Denison	17
Texarkana	7
Tyler	28
Victoria	10
Waco	40
Wichita Falls	7
Texas	**2,782**

Note: The Texas total includes 467 establishments not located in an MSA.

Source: TRERC analysis of U.S. Census Bureau County Business Patterns data

However, Texas does not have an exceptionally high concentration of food manufacturing. The location quotient for most subsectors is less than the national average of 1.00. Some of these deficits are due to a lack of local availability of necessary crops or animals, but there are opportunities to expand some subsectors. Facilities that process secondary and higher value-added products such as animal food, confections, and other foods and beverages can be sited almost anywhere, and these all have lower-than-average concentrations in the state.

Food Manufacturing Across Texas Metros

Food manufacturing plays a role in every Texas metro's economy, and a substantial one in some. The larger markets host the most establishments. The Metroplex is home to 24 percent of all establishments, followed by Houston (20 percent), Austin (11 percent), and San Antonio (8 percent).

When considering the concentration of establishments, a different picture emerges. Food and beverage manufacturing is most heavily concentrated in San Angelo, Waco, Sherman, and the two Rio Grande Valley metro areas of McAllen and Brownsville (see map and table). Of the Big Four metros, only Austin has a higher-than-average concentration, at a modest 1.02. This means the industry is underrepresented in many Texas cities. These deficits represent important economic development opportunities, especially with Texas' rapid growth.

Hungry for Growth

Food and beverage manufacturing is an important and growing industry with much more potential for the Texas

economy. Continued population growth will no doubt motivate more investment by this industry in the state. Those businesses will need specialized spaces and workers with specific skills.

Real estate and workforce stakeholder support will be needed to boost the industry. Any enhancements to Texas' agricultural sectors, including farms, fisheries, orchards, and ranches, can only help attract more interest.

Daniel Oney, Ph.D. (doney@tamu.edu) is research director with the Texas Real Estate Research Center.

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